

State of California

Franchise Tax Board-Legislative Services Bureau
PO Box 1468
Sacramento, CA 95812-1468

Telephone: (916)845-4326
ATSS: 468-4326
FAX: (916)845-5472

Legislative Change No.

02-28

Bill Number: SB 1724

Author: Speier

Chapter Number: 02-824

Laws Affecting Franchise Tax Board: Revenue & Taxation Code 17052.6

Date Filed with the Secretary of the State: September 23, 2002

SUBJECT: Child and Dependent Care Refundable Credit

Senate Bill 1724 (Speier), as enacted on September 23, 2002, made the following changes to California law:

Section 17052.6 of the Revenue and Taxation Code is amended.

This act will conform the California Child and Dependent Care Credit (California CDC) to the provisions contained in Economic Growth and Tax Relief Reconciliation Act (EGTRRA) affecting the federal CDC beginning in 2003. These changes include the increases of the qualified expenses base amount, credit percentage, and phase-out threshold.

This act will provide that the current percentage used to adjust the federal CDC for California purposes would apply to taxable years beginning before January 1, 2003.

This act will modify the current percentage for taxable years beginning on or after January 1, 2003, as follows:

<u>State AGI</u>	<u>Current Percentage</u>	<u>Future Modified Percentage</u>
\$40,000 or less	63%	50%
Over \$40,000 but not over \$70,000	53%	43%
Over \$70,000 but not over \$100,000	42%	34%
Over \$100,000	0%	0%

This act also will allow eligibility for the California CDC to all parents who are not married in the same manner as divorced or separated parents for purposes of the California CDC.

The provision relating to never-married parents is effective immediately upon enactment and applies to taxable years beginning on or after January 1, 2002.

The provision relating to conformity to the federal CDC is effective immediately upon enactment. However, these provisions would be operative when the federal law changes apply, for taxable years beginning on or after January 1, 2003.

This act will not require any reports by the department to the Legislature.

Bureau Director

Roger Lackey for B.P.

Date

October 2, 2002